

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources Committee
DATE	11 May 2021
EXEMPT	Appendix 2 is exempt from publication in accordance with the Local Government (Scotland) Act 1973, Schedule 7A, Paragraph 6- Information relating to the financial or business affairs of any particular person (other than the authority).
CONFIDENTIAL	No
REPORT TITLE	Council Financial Performance – Quarter 4, 2020/21
REPORT NUMBER	RES/21/111
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.2

1. PURPOSE OF REPORT

- 1.1 To provide the full year actual financial position of the Council against budget for the financial year 2020/21, including:
- General Fund and Housing Revenue Account (HRA) revenue and capital accounts; and
 - Common Good Revenue Account and Balance Sheet.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

- 2.1 Note the unaudited final outturn position for financial year 2020/21 as detailed in Appendix 1;
- 2.2 Note that the General Fund has recorded a surplus of £0.415m for the year 2020/21, which has been added to the uncommitted working balance, which remains in line with the Reserves Policy;
- 2.3 Note that the Housing Revenue Account has recorded a surplus of £0.500m for the year, in line with budget and increasing the uncommitted working balance for use in future years;
- 2.4 Note that the Common Good has recorded an operating deficit of £0.273m for the year, which is better than the approved use of cash reserves. After capital

receipts are included cash balances increased by £4.1m and remain in line with recommended levels;

- 2.5 Approve the various transfers for 2020/21, between Council Reserves and Earmarked sums for the General Fund, Housing Revenue Account, Common Good and Statutory Funds as at 31 March 2021, as detailed in Appendix 1;
- 2.6 Approve the reprofiling of the 2021/22 – 2024/25 capital programmes to take account of the year end position and that the outcome of this is incorporated into the 2021/22 Quarter 1 reporting;
- 2.7 Delegate authority to the Chief Officer – Finance, following consultation with the Chief Officer – Capital and Convenor of City Growth & Resources Committee, to vire budgets between projects within the Council’s New Schools and Zero Waste Programmes contained in the Capital Programme, to reflect the outcomes of external procurement exercises being carried out and allow award of relevant contracts;
- 2.8 Note the write off of historic school meal debts accounted for within the accounts for 2020/21, as described in Section A of Appendix 2;
- 2.9 Consider and approve the writing off of further debt described in Section B of Appendix 2; and
- 2.10 Note that the unaudited Annual Accounts for 2020/21 will be presented to Audit, Risk and Scrutiny Committee on 12 May 2021, along with the Annual Governance Statement and Remuneration Report.

3. BACKGROUND

- 3.1 This report focuses on the final financial position for the year to 31 March 2021 for the Council’s General Fund, Housing Revenue Account and Common Good.
- 3.2 The actual position for the year is presented in Appendix 1.

4. FINANCIAL IMPLICATIONS

- 4.1 The full year financial position is provided in Appendix 1 to this report and the revenue positions are summarised below:

Revenue	2020/21 Budget £'000	2020/21 Actual (Surplus) / Deficit £'000	Variance (Under) / Over Budget £'000
General Fund	0	(415)	(415)
HRA	(500)	(500)	0
Common Good	(439)	273	712

- 4.2 Appendix 1 also includes a Management Commentary providing information on the 2020/21 financial position, including details of the movement between Reserves.

4.3 The capital position can be summarised as follows:

Capital	2020/21 Budget £'000	2020/21 Actual Expenditure £'000	Variance (Under) / Over Budget £'000
General Fund	195,759	78,915	(116,844)
HRA	62,149	57,106	(5,043)

4.4 The underspending on Capital is in relation to a wide range of projects, which have been reported on during the course of the year. These figures remain unaudited and following the audit of the Annual Accounts the 2021/22 capital budgets, as appropriate, will be updated to take account of the continuing nature of capital investment projects, and be reprofiled to enable projects to be completed.

4.5 As a number of key projects move forward at the start of 2021/22 I expect the profile (across individual projects) to require to be revised by viring approved budget from one project to another, such as the new schools. This is because the values against the individual projects had initially been estimated. In order to achieve this, and to facilitate the letting of contracts at the appropriate points, it is recommended to delegate authority to the Chief Officer – Finance to approve the appropriate virements.

4.6 The usable reserves have moved as follows:

Council Usable Reserves	Balance at 31 March 2020 £'000	Balance at 31 March 2021 £'000	Movement £'000
General Fund	(35,294)	(71,608)	(36,314)
HRA	(12,808)	(14,715)	(1,907)
Statutory & Other	(11,859)	(13,082)	(1,223)
Total	(59,961)	(99,405)	(39,444)

4.7 All of the usable reserve's balances have increased during the year, and Appendix 1 also shows the change there has been in the use of earmarked sums during the year. The value of these change due to the nature of the earmarked sum as they are set aside for funding specific projects, and this can influence when the funds are used. Larger earmarked sums include Covid Grants, created this year for a range of purposes – including support to the 2021/22 budget, the Second and Long-term Empty Properties and Transformation funds. The uncommitted balance that remains on the General Fund has increased due to the financial performance for the year. The sums held as uncommitted are in line with the Council approved Reserves Policy (March 2021).

4.8 The increase in the HRA is as a result of the operational surplus achieved. The Statutory and Other Usable Reserves include the Capital Fund, Insurance Funds and Capital Receipts Unapplied Account. Transfers have included capital receipts and contributions from revenue.

- 4.9 At the year end the Council has retained a significant value in usable reserves as a result of managing the overall budget through the full financial year, because of funding announcements made late in the financial year where commitments and support to the Council can be carried into 2021/22 to use. This provides the basis for financial resilience required into 2021/22, where funding was approved to support the General Fund budget and to prepare for the uncertainty that the Covid-19 restrictions would bring in 2021/22. The first quarter report and initial forecast for the year will be considered at the City Growth and Resources Committee on 10 August 2021.
- 4.10 The Common Good Cash Balances are as shown in the table below. The cash position has improved from the start of the year due to capital receipts during the year. The capital receipts are set aside and invested to mitigate the impact of income loss that arises from the sale of land.

Cash Balances	Balance at 31 March 2020 £'000	Balance at 31 March 2021 £'000	Movement £'000
Common Good	(30,299)	(34,420)	(4,121)

5. LEGAL IMPLICATIONS

- 5.1 In relation to the recommendations to write off debt, consideration has been given to the Prescription and Limitations (Scotland) Act 1973, which defines prescription period for the recovery of debts.
- 5.2 Subsidy controls have been considered and found not to apply in relation to the proposals in Appendix 2.
- 5.3 There are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report, that have to be taken into account when preparing this report.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	There is a risk that if the financial resilience of the Council is not maintained that strategic priorities and outcomes have to be compromised in the future.	M	Comprehensive approach to financial management of the council budgets, quarterly reporting, Medium Term Financial Strategy in place to support future planning.
Compliance	There is the risk that the accounts do not comply	L	Year end accounts process is in place to

	with legal and accounting legislation.		ensure compliance. Annual external audits are undertaken to review the financial transactions and controls. Ongoing internal audits also review specific financial and service data.
Operational	There is the risk that there may be an IT system failure.	L	Daily backups taken and held offsite for security purposes. Constant review and update of security systems by Digital and Technology.
Financial	There is the risk that the external audit process identifies adjustments that have an impact on the usable reserves.	M	The year end and Annual Accounts have been prepared in the line with accounting practice and standards and year end reviews have been carried out to ensure that the final position presented is comprehensive.
Reputational	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	M	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position the Council is in and the situations it faces.
Environment / Climate	None identified		

7. OUTCOMES

COUNCIL DELIVERY PLAN	
	Impact of Report

Aberdeen City Council Policy Statement	Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	The Council continues to invest in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management of the Council's finances will ensure that services can continue to be provided.
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None.

10. APPENDICES

Appendix 1 – Financial Position for the Year 2020/21
Appendix 2 – **Exempt** – Historic Debt Write Off

11. REPORT AUTHOR CONTACT DETAILS

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